



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 7, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **BIENVENIDOS CHILDREN'S CENTER – A DEPARTMENT OF
CHILDREN AND FAMILY SERVICES PROVIDER – FISCAL
COMPLIANCE REVIEW**

We completed a fiscal compliance review of Bienvenidos Children's Center (Bienvenidos or Agency), which included a sample of transactions from Contract Years (CY) 2013-14 and 2014-15. The Department of Children and Family Services (DCFS) contracts with Bienvenidos to provide Wraparound Approach Services (Wraparound), Family Preservation (FP), and Foster Family Agency (FFA) services.

The purpose of our review was to determine whether Bienvenidos appropriately accounted for and spent DCFS Program funds to provide the services outlined in their County contracts. We also evaluated the Agency's financial records, internal controls, and compliance with their County contracts and applicable guidelines.

During CYs 2013-14 and 2014-15, DCFS paid the Agency approximately \$6.6 million (Wraparound \$1.3 million, FP \$933,000, and FFA \$4.4 million) and \$6.8 million (Wraparound \$1.1 million, FP \$667,000, and FFA \$5 million) on a fee-for-service basis, respectively. Bienvenidos provides services to residents of the First and Fifth Supervisorial Districts.

Results of Review

Bienvenidos maintained appropriate documentation for their payroll expenditures, and had adequate controls over their cash and fixed assets. However, the Agency's bank

reconciliations contained 17 reconciling items, totaling \$11,813, that were outstanding more than six months. In addition, Bienvenidos charged \$61,912 in questioned costs to DCFS. Specifically, Bienvenidos:

- Charged \$59,671 to the Wraparound, FP, and FFA Programs for unallowable expenditures, including grant writing, bad debts, in-kind expenses, and late fees.

Bienvenidos' attached response indicates that they will repay DCFS \$17,232 and reduce their Wraparound and FP Cost Reports by \$42,439.

- Charged \$2,241 to the Wraparound, FP, and FFA Programs without invoices and/or other adequate documentation to support how the expenditures benefited the Programs.

Bienvenidos' attached response indicates that they will repay DCFS \$1,099 and reduce their Wraparound, FP, and FFA Cost Reports by \$1,142.

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

Review of Report

We discussed our report with Bienvenidos and DCFS. Bienvenidos' attached response (Attachment II) indicates agreement with our findings and recommendations. DCFS management will work with Bienvenidos to ensure our recommendations are implemented.

We thank Bienvenidos management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:PH:DC:EB:sk

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
J. Christopher Jennings, Esq., Board Chair, Bienvenidos Children's Center
Ritchie L. Geisel, President and Chief Executive Officer, Bienvenidos Children's Center
Public Information Office
Audit Committee

**BIENVENIDOS CHILDREN'S CENTER
DEPARTMENT OF CHILDREN AND FAMILY SERVICES PROGRAMS
FISCAL COMPLIANCE REVIEW
CONTRACT YEARS 2013-14 AND 2014-15**

CASH/REVENUE

Objective

Determine whether Bienvenidos Children's Center (Bienvenidos or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed Bienvenidos personnel, and reviewed their financial records and February 2015 bank reconciliations for two bank accounts.

Results

Bienvenidos properly recorded revenue in their financial records, and deposited their Department of Children and Family Services (DCFS) cash receipts timely. In addition, bank reconciliations were reviewed and approved by Agency management timely. However, the Agency's bank reconciliations contained 17 reconciling items, totaling \$11,813, that were outstanding more than six months.

Recommendation

- 1. Bienvenidos Children's Center management ensure that reconciling items are resolved in a timely manner and repay the Department of Children and Family Services for any canceled reconciling items.**

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether Bienvenidos developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to DCFS Programs were allowable, properly documented, and appropriately allocated.

Verification

We interviewed Agency personnel, and reviewed their Plan and financial records for 71 (45 direct and 26 shared) non-payroll expenditures, totaling \$377,199 (\$62,053 direct and \$315,146 shared), that the Agency charged to the Wraparound Approach Services

(Wraparound), Family Preservation (FP), and Foster Family Agency (FFA) Programs from October 2013 through February 2015.

Results

Bienvenidos developed their Plan using an appropriate cost allocation methodology. However, Bienvenidos charged the Wraparound, FP, and FFA Programs for unallowable non-payroll expenditures, including grant writing, bad debts, in-kind expenses, late fees, facility expenditures, and indirect costs. The unallowable expenditures by Program and Contract Year (CY) are as follows:

Program	Unallowable		Total
	CY 2013-14	CY 2014-15	
Wraparound	\$ 9,578	\$ 402	\$ 9,980
FP	\$ 32,171	\$ 288	\$ 32,459
FFA	\$ 14,582	\$ 2,650	\$ 17,232
TOTAL			\$ 59,671

In addition, Bienvenidos charged \$2,241 (Wraparound \$679, FP \$463, and FFA \$1,099) in inadequately supported Program expenditures.

Recommendations

Bienvenidos Children's Center management:

- 2. Repay the Department of Children and Family Services \$18,331 (\$17,232 unallowable + \$1,099 inadequately supported) charged to the Foster Family Agency Program in Contract Years 2013-14 and 2014-15.**
- 3. Reduce the Contract Years 2013-14 and 2014-15 Wraparound Approach Services Program Cost Reports by \$10,659 (\$9,980 unallowable + \$679 inadequately supported), and repay the Department of Children and Family Services for any excess amounts received.**
- 4. Reduce the Family Preservation Program expenditures by \$32,922 (\$32,459 unallowable + \$463 inadequately supported), and repay the Department of Children and Family Services for any excess amounts received.**
- 5. Ensure that the Department of Children and Family Services Programs expenditures are allowable and supported with adequate documentation.**

6. Ensure that indirect costs charged to the Family Preservation Program do not exceed the indirect cost maximum rates specified in the contract.
7. Maintain adequate supporting documentation for allocation rates used.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Bienvenidos' fixed assets and equipment purchased with DCFS funds were used for the appropriate Programs and adequately safeguarded.

Verification

We interviewed Bienvenidos personnel, and reviewed their fixed assets and equipment inventory list. We also performed a physical inventory of 22 items purchased with DCFS funds to verify the items exist and were being used for the DCFS Programs.

Results

Bienvenidos adequately safeguarded and used the items reviewed for the DCFS Programs.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether Bienvenidos charged expenditures to the DCFS Programs appropriately and maintained personnel files as required.

Verification

We compared the payroll expenditures for 22 (14 direct and eight shared) employees, totaling \$116,289 (\$68,732 direct and \$47,557 shared) for February 2015, to the Agency's payroll records and time reports. We also interviewed employees, and reviewed personnel files for the 22 employees.

Results

Bienvenidos maintained the personnel files, and appropriately charged and maintained documentation to support the payroll expenditures reviewed.

Recommendation

None.

COST REPORTS**Objective**

Determine whether Bienvenidos' CY 2013-14 DCFS Cost Reports reconciled to their financial records and whether the Agency has any unspent revenue.

Verification

We compared the Agency's CY 2013-14 DCFS Cost Reports to their financial records.

Results

Bienvenidos' FP and FFA Cost Reports reconciled to their financial records. However, Bienvenidos' Wraparound Cost Report did not reconcile to their financial records. Specifically, the Agency overstated their total Wraparound Program expenditures on their Cost Report by \$566,512, and overstated their revenue by \$410,240. After our review, Bienvenidos provided revised accounting records, as well as support for the revisions made, that support the amounts on their Cost Report submitted to DCFS.

Recommendation

8. Bienvenidos Children's Center management ensure their annual Cost Reports are supported by their accounting records.



November 26, 2015

TO: John Naimo
Auditor-Controller,

cc: Susan Kim
Sat Avtar
Mike Still

FROM: Ritchie L. Geisel
President & CEO
Bienvenidos Children's Center

A handwritten signature in blue ink, reading "Ritchie L. Geisel".

SUBJECT: BIENVENIDOS CHILDREN'S CENTER – MANGEMENT RESPONSE TO DEPARTMENT OF CHILDREN AND FAMILY SERVICES PROVIDER – FISCAL COMPLIANCE REVIEW OF NOVEMBER 2015

We are grateful to Sat Avtar, Susan Kim, and their teams for all their careful and thorough work on our recent fiscal compliance review. Your input helps us better serve children and families and be accountable to the County.

We have copied each of your findings/ recommendations and our response/ corrective action plan **bold red type**.

Attachment: Management Response/ Corrective Action Plan

**MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN TO
AUDITOR-CONTROLLER COUNTY OF LOS ANGELES
BIENVENIDOS CHILDREN'S CENTER
DEPARTMENT OF CHILDREN AND FAMILY SERVICES PROGRAMS
FISCAL COMPLIANCE REVIEW
FISCAL YEARS 2013-14 AND 2014-15**

CASH/REVENUE

Objective

Determine whether Bienvenidos Children's Center (Bienvenidos or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed Bienvenidos personnel, and reviewed their financial records and February 2015 bank reconciliations for two bank accounts.

Results

Bienvenidos properly recorded revenue in their financial records, deposited their Department of Children and Family Services (DCFS) cash receipts timely. In addition, bank reconciliations were prepared, and reviewed and approved by Agency management timely. However the Agency's bank reconciliation contained 17 reconciling items totaling \$11,813 that were outstanding more than six months.

Recommendation

1. Bienvenidos Children's Center management ensure that reconciling items are resolved in a timely manner.

We will review and resolve reconciling items monthly.

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether Bienvenidos' Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to DCFS Programs were allowable, properly documented, and appropriately allocated as required in their County contract and related guidelines.

Verification

We interviewed Agency personnel, and reviewed their Plan and financial records for 71 (45 direct and 26 shared) non-payroll expenditures, totaling \$114,929 (\$62,053 direct and \$52,876 Shared), charged to the Wraparound Approach Services (Wraparound), Family Preservation (FP) and Foster Family Agency (FFA) Programs from October 2013 through February 2015. Based on the results of our initial review, we expanded our sample to include additional rent and administrative/shared expenditures of \$134,644

charged from Fiscal Year (FY) 2013-14 and \$127,626 from FY2014-15. As a result, we reviewed a total of \$377,199 in expenditures.

Results

Bienvenidos prepared their Plan in compliance with their County contracts. However, the Agency inappropriately charged \$330,325 in questioned costs to the Wraparound, FP and FFA Programs. The questioned costs per Program and FY are as follows:

Program	FY 2013-14		FY 2014-15		Total
Unallowable/ Inadequately Supported	Inappropriately Allocated		Unallowable/ Inadequately Supported	Inappropriately Allocated	
Wraparound	\$ 10,313	\$ 85,384	\$ 3,224	\$ 55,303	\$ 154,224
FP	\$ 33,171	\$ 580	\$ 1,456	\$ 37,835	\$ 73,042
FFA	\$ 12,108	\$ 53,237	\$ 7,550	\$ 30,164	\$ 103,059
Total			\$ 330,325		

Specifically, Beinvenidos:

- Charged \$29,181 (Wraparound \$9,980, FP \$7,205 and FFA \$11,996) to DCFS Programs for unallowable expenditures, including grant writing, bad debts and in-kind expenses. The OMB A-122 Attachment A, Section A.3 requires that expenditures be reasonable for the performance of the award and Attachment B, Sections 5 and 16 states that bad debts and penalties are unallowable expenditures.
- Charged unallowable late fees totaling \$1,760 to the FFA Program. The OMB A-122 Attachment A, Section A.3 requires that expenditures be reasonable for the performance of the award and Attachment B, Section 16 states that fines and penalties are unallowable expenditures.
- Charged the FP Program \$25,254 more than the maximum allowed indirect cost amounts in FY 2013-14 authorized by the FP contract paragraph 5.4.
- Charged the FFA Program \$4,170 without adequate documentation to support how the expenditures benefited the Program as required by the A-C Handbook Section A.3.2. After our review Bienvenidos provided documentation to show that the expenditures benefited the FFA Program.
- Charged \$2,750 to the Wraparound Program that were not supported by invoices for holiday gifts and general liability insurance as required by the A-C Handbook Section A.3.2. After our review, Bienvenidos provided an invoice and other documentation to support the general liability insurance and \$1,918 of the holiday gifts. The remaining questioned costs totaled \$97, and the Agency needs to ensure they obtain client signatures when gifts or incentives are distributed.
- Charged \$1,500 for purchasing furniture and gift cards to the FP Program without documentation to show how the expenditures benefitted the Program, as required by the A-C Handbook Section A.3.2.

After our review, the Agency provided supporting documentation showing how the furniture and gift cards benefited the FP Program.

- Charged \$3,207 (Wraparound \$807, FP \$668, and FFA \$1,732,) to DCFS Programs without adequate documentation, including invoices as required by the A-C Handbook Section A.3.2. After our review, the Agency provided documentation supporting \$1,063 charged to the Programs. The remaining questioned costs totals \$2,144 (Wraparound \$582, FP \$463, and FFA \$1,099,).
- Allocated \$123,301 in FY 2014-15 and \$139,202 in FY 2013-14 for facility related expenditures to DCFS Programs without documentation to support their square footage allocation rates used as required by A-C Handbook Section C.2.0. After our review, the Agency provided documentation to support their square footage allocation rates used for four of the five facilities. However, the Agency's original unsupported allocation exceeded the actual allocations for one location, and the remaining questioned costs total \$3,476 for the FFA Program.
- Did not have proof of professional liability insurance for four independent contractors providing services as social workers as required by the Agency's consultant agreements. After our review, the Agency provided proof of liability insurance for all four social workers.

Recommendations

Bienvenidos Children's Center management:

2. Repay the Department of Children and Family Services \$18,331 (\$13,756 unallowable + \$4,575 inadequately supported) for unallowable and unsupported expenses charged to the Foster Family Agency Program in Fiscal Years 2013-14 and 2014-15.

We will repay DCFS \$18,331 for these unallowable & unsupported expenses.

3. Reduce the Fiscal Years 2013-14 and 2014-15 Wraparound Approach Services Program Cost Reports by \$10,659 (\$9,980 unallowable + \$679 inadequately supported), and repay the Department of Children and Family Services any excess amounts received.

We will reduce the FY13-14 Wraparound Cost Report by \$10,659, resubmit, and repay DCFS for any excess amounts received.

4. Reduce the Family Preservation Program expenditures by \$32,922 (\$32,459 unallowable + \$463 inadequately supported), and repay the Department of Children and Family Services any excess amounts received.

We will reduce the FY13-14 Family Preservation Program expenditures by \$32,922, resubmit the FP18's, and repay DCFS for excess amounts received.

5. Ensure that the Department of Children and Family Services Programs expenditures are allowable and supported with adequate documentation.

Each month we will review expenditures charged to our DCFS contracts to ensure they are allowable and supported with adequate documentation.

6. Ensure that indirect costs charged to the Family Preservation Program do not exceed the indirect cost maximum rates specified in the contract.

We are now applying for a federal indirect cost rate which would be effective retroactive to July 01, 2015. We will ensure that indirect costs charges to our Family Preservation contract do not exceed the maximum rate per the contract.

7. Maintain adequate supporting documentation for allocation rates used.

We will ensure we have adequate supporting documentation for the allocation rates we use.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Bienvenidos' fixed assets and equipment purchased with DCFS funds were used for the appropriate Programs and adequately safeguarded.

Verification

We interviewed Bienvenidos personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of 22 items purchased with DCFS funds to verify the items exist and were being used for the Programs.

Results

Bienvenidos adequately safeguarded and used the items reviewed for the DCFS Programs.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether Bienvenidos maintained personnel files and if payroll costs charged to the DCFS Programs were allowable, properly documented, and appropriately allocated as required by OMB A-122, the A-C Handbook, and their County contract.

Verification

We compared the payroll costs for 22 (14 direct and eight shared) employees, totaling \$116,289 (\$68,732 direct and \$47,557 shared) for February 2015, to the Agency's payroll records and time reports. We also interviewed staff and reviewed their personnel files.

Results

Bienvenidos maintained the personnel files, and appropriately charged payroll costs to the DCFS Programs as required.

Recommendation

None.

COST REPORT

Objective

Determine whether Bienvenidos' Contract Year 2013-14 DCFS Cost Reports reconciled to their financial records.

Verification

We compared the Agency's Contract Year 2013-14 DCFS Cost Reports to their financial records.

Results

Bienvenidos' FP and FFA Cost Reports reconciled to their financial records. However, Bienvenidos Wraparound Cost Report did not reconcile to their financial records. Specifically, the Agency overstated their total Wraparound Program expenditures on their Cost Report by \$566,512. In addition, their revenue reported on the Wraparound Cost Report did not reconcile to their financial records. DCFS uses the Wraparound Cost Report to determine unspent revenue and the amount to be returned to DCFS. After our review, Bienvenidos provided revised accounting records, as well as underlying support for the revisions made, that support the original cost report submitted to DCFS.

Recommendation

8. Bienvenidos Children's Center management ensure their annual cost reports are supporting by their accounting records.

We will ensure our annual cost reports are supported by our accounting records.